United Nations DP/2000/38

Executive Board of the United Nations Development Programme and of the United Nations Population Fund

Distr.: General
18 September 2000

Original: English

Third regular session 2000
25 to 29 September 2000, New York
Item 6 of the provisional agenda
United Nations Office for Project Services

Revised budget estimates for the biennium 2000-2001 and responsibility of the United Nations Office for Project Services in personnel matters

Report of the Advisory Committee on Administrative and Budgetary Questions

1. The Advisory Committee on Administrative and Budgetary Questions (ACABQ) has considered the reports of the Executive Director of the United Nations Office for Project Services (UNOPS) on the revised budget estimates for the biennium 2000-2001 (DP/2000/37) and on the responsibility of the United Nations Office for Project Services in personnel matters (DP/2000/30). In addition, the Committee had before it the UNOPS financial statements for the biennium ended 31 December 1999 and the report of the Board of Auditors to the General Assembly on the accounts of UNOPS for the biennium ended 31 December 1999. The observations and recommendations of the Advisory Committee on the report of the Board of Auditors will be submitted to the General Assembly during the first part of its 55th session. During its consideration of these items, the Committee met with the Executive Director of UNOPS and his colleagues, who provided additional information.

2. The Advisory Committee notes from paragraph 5 of the report and the interim financial statements for the year ended 31 December 1999 that the UNOPS operational reserve stood at $17.4 million at 31 December 1999, or some 25 per cent below the prescribed level of 4 per cent of the combined expenditure on administrative and project budgets of the prior year ($579.8 million in 1998) (Executive Board decision 97/21 of 18 September 1997). The Committee also notes that further drawdowns are anticipated from the operational reserve in the year 2000, totalling $3.1 million, thus reducing the balance of the reserve to $14.3 million. In this connection, the Committee was informed that UNOPS still intends to restore its operational reserve to the prescribed level during the biennium 2002-2003. Replenishment of the reserve would be accomplished from savings arising from productivity gains. The Committee recalls that the Executive Director proposes to submit a detailed report on the appropriateness of the level of the operational reserve to the Board at its third regular session 2001 (see DP/1999/41, para. 4). The Committee is of the view that replenishment of the operational reserve should start earlier than 2002 if the income and expenditure of UNOPS so permits.

3. For the biennium 1998-1999, actual project delivery totaled $1,097.7 million, which generated an income of $86.5 million; this compares with a projected delivery of $1,087.8 million in the approved estimates for 1998-1999. Administrative expenditures in 1998-1999 amounted to $106.0 million, which exceeded the approved budget of $102.6 million by $3.4 million, or 3 per cent. Recurrent expenditures amounted to

$87.8 million while non-recurrent expenditures of $18.2 million exceeded the approved budget of $14.0 million by $4.2 million (DP/2000/37, paras. 9 and 16). The Advisory Committee notes from paragraphs 33 to 39 of the budget report that the overexpenditure in non-recurrent items resulted from the overexpenditure of $5.5 million in the construction and relocation costs of UNOPS headquarters, which amounted to $14.1 million in 1998-1999, partially offset by an underexpenditure of $1.4 million in information systems projects, as a result of the deferral to the year 2000 of projects intended to complement or extend Integrated Management Information Systems (IMIS) functionality (see paragraph 6 below).

4. The Advisory Committee notes that the value of all funds committed by UNOPS clients grew over the biennium 1998-1999 and that further increases are projected for the year 2000. In mid-2000, the estimated value of all funds for which UNOPS assumed disbursement responsibility amounted to some $3,400 million, including a project portfolio of approximately $1,200 million and a "services only" portfolio of $2,200 million. The latter consists mainly of loan administration and project supervision services on behalf of the International Fund for Agricultural Development (IFAD) (DP/2000/37). In addition, in the year 2000 UNOPS has provided customized procurement services amounting to some $100 million, for which UNOPS does not assume disbursement responsibility. In mid-1998 the value of all funds for which UNOPS assumed responsibility amounted to some $3,100 million, including a project portfolio of $1,600 million and a "service only" portfolio of some $1,700 million of loans administered on behalf of IFAD (DP/1998/35, paragraph 8).

Revised administrative budget for the biennium 2000-2001

5. As indicated in paragraph 9 and table 1 of the budget report, UNOPS submits its revised estimates for administrative expenditures for the biennium 2000-2001 on the basis of revised project delivery and income performance projections for the biennium 2000-2001. The revised total project delivery for 2000-2001 is estimated at $1,180 million, reflecting a decrease of 9.2 per cent as compared with the original projection for 2000-2001 of $1,300 million. The revised income projection for the biennium 2000-2001 amounts to $103.2 million ($85.4 million from the implementation of project portfolio, $12.2 million from "services only" and $5.6 million from other income), reflecting a decrease of 11.4 per cent as compared to the original estimate of $116.5 million projected for 2000-2001 in the approved budget.

6. The Advisory Committee notes from paragraphs 10 and 11 of the budget report that the revised estimates for 2000-2001 for delivery and income on the projected portfolio reflect a reduced income rate, as compared with the original estimates, as a result of a number of significant changes that have occurred in the composition of the portfolio acquired in 1999. While project acquisitions for development activities from UNDP and UNDP trust funds decrease by 33 per cent from 1998 to 1999 (or over $150 million in value), project acquisitions from other clients of the United Nations system in fields other than development increased by about $50 million, reflecting a different scope of activities, levels of costs and income. Thus, the UNOPS diversification of its client base may result in fluctuations upwards and downwards in delivery and income targets in 2000-2001 during the transition from a situation dominated by a single client to another where there is a more diversified distribution of United Nations clients.

7. Consequently, the revised budget estimates for 2000-2001 and the testimony of the Executive Director reflect some uncertainty as regards the level of project delivery and corresponding income levels for 2001. The Committee is of the view that the trends experienced in 2000 should continue to be carefully monitored as regards the new types of demands and fee structure so as to enable UNOPS to predict much more accurately the level of delivery and related income for periods longer than 12 months.

8. For the biennium 2000-2001, the Executive Director proposes a revised budget for administrative expenditures amounting to $106.3 million, reflecting a decrease of $7.5 million as compared with the approved budget of $113.8 million. The revised budget proposal comprises recurrent administrative expenditures in the

amount of $103.2 million (a decrease of $7.7 million or 7 per cent) and non-recurrent administrative expenditures of $3.1 million (an increase of $0.2 million over the approved amount of $2.9 million) for further IMIS-related costs. As indicated in paragraph 41 of the budget report, non-recurrent expenditures in 2000 would be covered by a drawdown from the operational reserve in the amount of $3.1 million.

9. The Advisory Committee notes that, in the light of the income uncertainty for 2001, no attempt was made to increase the projected level of income and expenditure for the year 2001. Thus, the figures proposed for 2001, as shown in table 1 and 2 of the budget report, are included in the budget at the same level as those proposed for 2000. The Committee was informed that UNOPS will continue to monitor the demand for services and the variables of its financial model and that, in the light of changes in the projected level of income for 2001, UNOPS may submit a supplementary budget request for 2001.

10. As indicated in paragraph 19, 27 and table 3 of the budget report, for the biennium 2000-2001, the UNOPS staffing table includes 419 established posts as of 1 June 2000 (150 Professional and 269 General Service), reflecting an increase of 27 additional core posts and 11 additional project-related posts, as compared with 381 posts approved by the Executive Board for 1998-1999 (decision 99/15 of 15 September 1999). The additional project-related posts includes a new post at the L-6 level, encumbered on a temporary, ad hoc basis, by a staff member with responsibilities of resident manager of a specific project. In paragraph 27, the Executive Director requests that the Executive Board approve ex post facto the establishment of 37 additional posts at the level P-5 and below. The Advisory Committee recommends approval of the request of the Executive Director.

11. In paragraphs 22 through 26 of the budget report, the Executive Director proposes the upgrading of two existing P-5 posts to the D-1 level, namely for the posts of Chief, Human Resources Management and Chief, Business Development and Strategic Planning. The Executive Director decided in early 2000 to separate the human resources function from the Division for Finance and Administration and to establish a Human Resources Management Division, reporting directly to him. He further decided to merge the corporate business planning function with business development, thereby creating the new Division for Business Development and Strategic Planning. For the reasons mentioned in the report and the additional information provided by the Executive Director during the hearings, the Committee recommends approval of the two proposed reclassifications to the D-1 level.

12. As shown in table 2 of the budget report, the revised estimates for 2000-2001 include provisions for rental and maintenance of premises amounting to $9.4 million, reflecting an increase of $1.5 million, or 19 per cent over the amount approved for 2000-2001 and an increase of $4.4 million, or 88 per cent over the actual amount spent in 1998-1999. Upon enquiry, the Advisory Committee was informed that the amount requested for rental and maintenance of premises for 2000-2001 includes provisions for both UNOPS headquarters ($8.0 million) and field offices ($1.4 million). The Committee recalls its comments in paragraphs 15 of its report of 5 August 1997 (DP/1997/28) and 9 of its report of 15 September 1998 (DP/1998/36). The Committee had recommended that UNOPS explore fully the possibility of sharing common premises and services with other agencies in the field, with a view to realizing economies in its field operations and that, in line with its own policies, all UNOPS offices away from headquarters continue to operate on a self-financing basis, ensuring that sufficient income was earned to cover operating costs. In this connection, the Committee was assured that decentralization to field offices has been done where it is cost effective. The Committee trusts that contracts for rental of space would contain appropriate clauses to enable UNOPS to adjust space and related costs immediately in line with business fluctuations.

13. As indicated in paragraph 12 of the budget report, the Executive Director requests that, pursuant to UNOPS Financial Regulation 7.5, the Executive Board grant him authority to incur expenditure, both in personnel and other administrative expenditure items of the budget, in an amount not to exceed 5 per cent of the approved budget estimates for the biennium 2000-2001 in order to respond to unanticipated changes in business acquisition

that are supported by unspent and/or projected income. The Advisory Committee endorses the request of the Executive Director.

Delegation of authority on personnel matters

14. The Executive Director's report on the responsibility of the United Nations Office for Project Services in personnel matters (DP/2000/30) contains an update on steps taken by UNOPS to implement Executive Board decision 99/17 of 15 September 1999 as requested by the Board in its decision 2000/16 of 23 June 2000. As indicated in paragraphs 3 to 8 of the report, the Executive Director indicates that the steps taken form a sound basis for the implementation of the delegation of authority on personnel matters from the UNDP Administrator to the Executive Director. Upon request, the Advisory Committee was provided with a table showing the administrative and management impact of the personnel delegation on UNDP and UNOPS (see annex to this report).

15. As indicated in paragraphs 9 to 11 of document DP/2000/30, the Executive Board in its decision 94/32 of 10 October 1994 decided that the establishment of posts at the P-5 level and below required the ex post facto approval of the Board, while the establishment of posts at the D-1 level and above must receive advance approval of the Board. Thus, to date the Executive Director approves posts up to and including the P-5 level, incorporating posts increases within the overall approved budget.

16. The UNOPS staffing table establishes the type and levels of human resources that can be recruited, but the actual staffing level is affected primarily by fluctuations in total delivery and income. The Advisory Committee notes from paragraph 11 and figure 2 of document DP/2000/30 that the per cent distribution of categories of staff has remained relatively constant over the period 1996-2000. In this connection, the Committee agrees with the view that the Executive Director has demonstrated that the introduction of flexible post management system is essential to be responsive to changes in demand and project delivery and income. The Committee notes that the demand for UNOPS services is increasingly calling for specialized capacity for the management of multidisciplinary initiatives and that UNOPS must respond quickly, efficiently and in the most cost-effective manner (DP/2000/30, paras. 12-14).

17. The Advisory Committee is of the view that the current process followed to establish posts to carry out the business of UNOPS should be further streamlined to eliminate potential rigidities and to enhance the efficiency of the service in responding to the needs of clients. The Committee recommends full delegation of authority to the Executive Director to cover all posts up to the D-2 category under the following conditions: posts up to the P-5 level should continue to be established by the Executive Director and approved ex post facto by the Executive Board following the current procedure. Posts at the D-1 and D-2 levels would also be established by the Executive Director, with the prior concurrence of the Advisory Committee, on a temporary basis pending review and approval of the budget by the Executive Board.

Role of the UNOPS Management Coordination Committee

18. The Advisory Committee recalls its comments on the role of the UNOPS Management Coordination Committee (MCC) in its report of 7 October 1994 (DP/1994/57, paras. 13 and 14). The Committee recommends that the process of preparing the budget and its review and/or approval by the MCC be reviewed with the intention of streamlining the process.

ANNEX

Administrative and Management Impact of Personnel Delegation on UNDP and UNOPS

TASK	IMPACT ON UNDP	REASON	IMPACT ON UNOPS	REASON
Issue UNOPS Letters of Appointment	UNDP no longer accountable	While before UNOPS staff had UNDP Letters of Appointment, this will no longer be the case.	Clarified accountability	No diluted accountability vis-à-vis clients.
Promotion and reclassification	UNDP no longer accountable		Clarified accountability	UNOPS has its own appointment and promotion machineries.
Termination of Appointment	UNDP no longer accountable	While before termination was under delegation from UNDP, this will no longer be the case.	Clarified accountability	No ambiguous management arrangements; no unclear liabilities.
Management of Entitlements	UNDP no longer accountable	While before entitlements were managed by UNOPS under UNDP delegation, this will no longer be the case.	Clarified accountability	Even in countries where UNDP does not have a presence, UNOPS can operate. For non-UNDP clients, UNOPS can select most efficient arrangements.
Disciplinary measures (SR 110) and Administrative Review	UNDP no longer accountable	While before preliminary investigation was handled by UNOPS under delegation from UNDP, this will no longer be the case.	Clarified accountability	Formal investigation of allegations of misconduct when carrying out contracting work must be conducted by UNOPS (professional standards in contracting).
Issue exceptions to Staff Rules SR 112.2 (b)	UNDP no longer accountable	UNOPS administers the exceptions issued by UNDP.	Clarified accountability	UNOPS must be able to issue exceptions foreseen in Staff Rules as dictated by specific project situations, especially at duty stations without UNDP presence.